

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 24th Floor
San Francisco, California 94105**

UPDATED INFORMATIVE DIGEST

**RH-05048001
October 23, 2006**

MODIFIED GUARANTEED ANNUITY REGULATIONS

UPDATE OF INFORMATIVE DIGEST

There have been no changes to existing laws and regulations related directly to the proposed action. However, the summary of existing law and the effect of the proposed action is updated as set forth below.

Deletion of Citations to Authority. The proposed regulations have been amended since they were originally made available to the public pursuant to Government Code section 11346.5. The amendments delete citations to two statutes which the proposed regulations added as additional rulemaking authority. The Commissioner has determined that these citations are not necessary. The deletion of the two new authority citations changes the text of the regulations back to the authority citations currently in existence for each section of the regulations.

Specifically, the regulations have been amended to delete a comma, the word "and," and citations to Insurance Code sections "12921(a) and 12926" in the Notes which list authority and reference citations at the end of sections 2534.27 and 2534.28. The deletion of these amendments means that the authority cited for both section 2534.27 and 2534.28 will remain "Sections 10506(h) and 10506.3(a), Insurance Code." No other changes have been made to the regulations since the regulations were originally made available to the public pursuant to Government Code section 11346.5.

It is necessary to update the Informative Digest by deleting the following language in the "Authority" segments following the descriptions of CCR section 2534.27 and 2534.28, respectively, to conform the Informative Digest to the revised text of the regulations:

"The proposed regulations add Insurance Code sections 12921(a) and 12926 as additional authority citations for this section, to clarify that the section is adopted under the Insurance Commissioner's more general authority as well as the more specific authority of sections 10506(h) and 10506.3(a)."

Revision to the Description of the Amendments to CCR section 2534.28(b)(10). The Informative Digest describes the existing CCR section 2534.28(b)(10) and the proposed

amendments to it as follows:

Existing CCR section 2534.28(b)(10) refers to the annual contract charge, the collection charge of \$1.25 per collection, the transaction charge of \$10, the single consideration contract charge of \$75, and adjustments based on the Consumer Price Index, the same items that are currently contained in CCR section 2534.28(b)(4) and which are being deleted as explained above. It makes no sense to delete the standards set forth in existing CCR section 2534.28(b)(4) and replace them with the standard in the new CCR section 2534.28(b)(6) and yet retain the old standards of CCR section 2534.28(b)(10), which parallel the deleted provisions of CCR section 2534.28(b)(4). In order to remain consistent with the new CCR section 2534.28(b)(6) and the NAIC Model Regulation it is necessary to delete CCR section 2534.28(b)(10), for the same reasons CCR section 2534.28(b)(4) was deleted and replaced with CCR section 2534.28(b)(6).

The Commissioner hereby updates this passage of the Informative Digest in order to more precisely describe the existing regulation and the proposed amendments to it:

Existing CCR section 2534.28(b)(10) adjusts (rather than refers to) the annual contract charge, the collection charge of \$1.25 per collection, the transaction charge of \$10, and the single consideration contract charge of \$75 based on the Consumer Price Index. The charges adjusted by CCR section 2534.28(b)(10) are the charges set forth in CCR section 2534.28(b)(4), which are being deleted as explained above. It makes no sense to delete the charges set forth in existing CCR section 2534.28(b)(4) and replace them with the provisions of the new CCR section 2534.28(b)(6) and yet retain the provisions of CCR section 2534.28(b)(10), which adjusts the charges in the deleted CCR section 2534.28(b)(4). In order to remain consistent with the new CCR section 2534.28(b)(6) and the NAIC Model Regulation it is necessary to delete CCR section 2534.28(b)(10), for the same reasons CCR section 2534.28(b)(4) was deleted and replaced with CCR section 2534.28(b)(6).